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THIS AMENDMENT:

\_\_\_\_ Passed \_\_\_\_\_ Passed as amended by \_\_\_\_\_

\_\_\_\_ Failed \_\_\_\_\_ Not Offered \_\_\_\_\_

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SPITZER PROPOSED AMENDMENT #1

TIME/DATE PREPARED: 2:00 p.m. / December 5, 2005

COMPANY: Valencia Water Company

AGENDA ITEM NO. U-17

DOCKET NO. W-01212A-05-0606

OPEN MEETING DATE: December 6-7, 2005

**At Page 4, line 17, INSERT:**

20. While the Commission is concerned about the under capitalization of public service companies, we do not believe that at this time Valencia's reduction in equity requires a restriction as recommended by Staff in Finding of Fact 19. As evidenced in Findings of Facts 11 and 12, Valencia's capital reverses as a consequence of financing the arsenic remediation project(s). If Valencia did not have to comply with the unfunded mandate of the Federal government to reduce the arsenic standard, Valencia's equity position would be very strong. Further, there is no evidence in the record that Valencia has made any inappropriate distributions to principals or employees. As the record is devoid of any improper disbursements and since this company appears to be doing the right thing by complying with the Federal mandate, we do not believe in this instance it is necessary to restrict any distribution as recommended in Finding of Fact 19. We do believe, however, that Valencia should file an affidavit stating its current and prospective capital structure with the Commission. While the Commission at this time does not agree with the proposed restriction, Valencia is placed on notice that the Commission will review Valencia's capital structure and may, at a later date, impose similar conditions if the Commission is not satisfied that Valencia is maintaining a proper capital structure.

**At Page 4, line 25, DELETE:**

Lines 25 through 27

**And INSERT:**

21. Staff's recommendations, with the exception of Findings of Fact 19, are reasonable.

**At Page 5, Line 17, after the word "that", DELETE:**

"if and when equity falls below 40 percent of total capital, the Applicant is prohibited from distributing more than 25 percent of each year's earnings or distributing assets to principals via salaries, management fees, or otherwise in excess of current levels, adjusted for changes in the Consumer Price Index."

**And INSERT:**

Valencia Water Company, Inc. shall file certification within 365 days of this Decision and annually thereafter with the Commission's Docket Control, as a compliance item in this docket, an affidavit of its current and prospective capital structures.

**At Page 5 Line 21, DELETE:**

Lines 21 through 24.